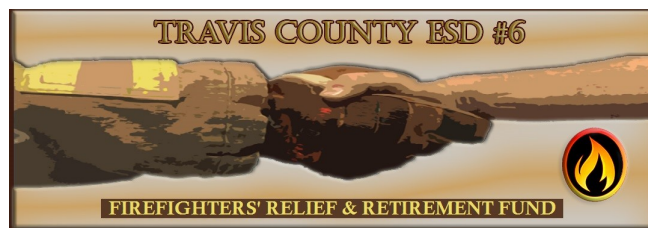


# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS



## **TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020 AND 2019

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

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**Montemayor Britton Bender PC**  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees

Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of fiduciary net position of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) as of 31 December 2020 and 2019, the related statement of changes in fiduciary net position for the years then ended, which collectively comprise the Fund's financial statements, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial status of the Fund as of 31 December 2020 and 2019, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the supplemental schedules on pages 20 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Montemayor Britton Bender PC

21 July 2021  
Austin, Texas

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) financial report presents our discussion and analysis of the Fund's financial performance during calendar year 2020. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

**Financial Highlights**

- The net position of the Fund increased from \$28,086,052 as of 31 December 2019 to \$35,534,338 as of 31 December 2020. This increase of \$7,448,286 or 27% is a result of ongoing contributions to the plan, and an increase in interest and dividends, plus an increase in the fair value of the plan's investments.
- Contributions were \$2,730,350 in 2019 and \$2,869,004 in 2020.
- The Fund did not pay benefits during 2019 and 2020.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements, which are comprised of the following:

- **Statement of Fiduciary Net Position** - presents the Fund's assets and liabilities and the resulting net position, which is restricted for pension benefits. This statement reflects a year-end snapshot of the Fund's investments at fair value, along with cash and short-term investments, receivables and other assets and liabilities.
- **Statement of Changes in Fiduciary Net Position** - provides a view of current year additions to and deductions from the Fund.
- **Notes to the Financial Statements** - provide additional information that is essential to a full understanding of the data provided in the financial statements.

The two financial statements report the Fund's net position restricted for pension benefits (net position) – the difference between assets and liabilities; which is one way to measure the Fund's financial position. Over time, increases and decreases in net position are one indicator of whether its financial health is improving or deteriorating. Collectively, this information presents the net position restricted for pension benefits as of the end of each year, and summarizes the changes in net position restricted for pension benefits for the year.

**Financial Analysis**

**Summary of Fiduciary Net Position**

	<b><u>Assets</u></b>	<b><u>12/31/2020</u></b>	<b><u>12/31/2019</u></b>
Investments, at fair value		\$ 35,342,289	\$ 27,913,700
Interest and dividend receivable		76,481	64,221
Retirement contributions receivable		<u>115,568</u>	<u>108,131</u>
Total assets		35,534,338	28,086,052
	<b><u>Liabilities</u></b>		
Total liabilities		<u>0</u>	<u>0</u>
Net position restricted for pension benefits		<u>\$ 35,534,338</u>	<u>\$ 28,086,052</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Fiduciary Net Position**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b><u>Additions</u></b>		
Contributions	\$ 2,869,004	\$ 2,730,350
Net investment income (loss)	<u>4,607,128</u>	<u>4,598,176</u>
Total additions	<u>7,476,132</u>	<u>7,328,526</u>
<b><u>Deductions</u></b>		
Contributions refunded to terminating employees	0	89,480
General and administrative expenses	<u>27,846</u>	<u>47,153</u>
Total deductions	<u>27,846</u>	<u>136,633</u>
Net increase in net position restricted for pension benefits	7,448,286	7,191,893
Net position restricted for pension benefits beginning of year	<u>28,086,052</u>	<u>20,894,159</u>
Net position restricted for pension benefits end of year	<u>\$ 35,534,338</u>	<u>\$ 28,086,052</u>

**Additions**

Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and District contributions for 2020 and 2019 were \$2,869,004 and \$2,730,350, respectively.

The Fund's net investment income was \$4,607,128 for 2020, compared \$4,598,176 for 2019. Net unrealized appreciation/(depreciation) in the fair value of investments, was \$3,794,053 in 2020, compared to net unrealized appreciation of \$3,507,439 in 2019. Net realized gain/(loss) on sales of investments was \$90,061 in 2020 and \$406,473 in 2019. Interest and dividends generated income of \$847,820 and \$788,116 in 2020 and 2019, respectively. Other income was \$893 in 2020 and \$6,202 in 2019. Investment expenses were \$125,699 and \$110,054 in 2020 and 2019, respectively.

**Deductions**

The expenses paid by the Fund were administrative expenses. Administrative expenses in 2020 and 2019 were \$27,846 and \$47,153, respectively. In 2020 and 2019, respectively, the Fund refunded contributions of \$0 and \$89,480 to employees who terminated during the year.

**Other Factors**

The actuarial present value of accumulated plan benefits as of 31 December 2019, the most recent actuarial valuation date, was \$20,591,223. The value of accumulated benefits represents the value of retirement, death, disability, and termination benefits which fund members had accumulated as of 31 December 2019, under the plan. It excludes the value of benefits which will be earned after that date. The market value of plan assets as of 31 December 2019, was \$28,086,052. This produces a funding ratio of 136 percent. The accumulated benefit funding ratio is a measure of funding to date on an ongoing-plan basis. It can also be considered a plan termination measure. The fact that the ratio is considerably greater than 100 percent shows that the fund had more than enough assets to provide the benefits which had been earned as of 31 December 2019.

It should be noted that the ratios given above were calculated differently than the ratio called for under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. The GASB funded ratio as of 31 December 2019, was 93.6 percent; however, the GASB funded ratio represents the market value of assets divided by the total pension liability, which includes the value of benefits which will be earned after 31 December 2019. Thus, comparing

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

assets as of 31 December 2019, to a value of benefits which includes future benefit accruals is not a consistent measure of the plan's obligations in the event of plan termination. (The GASB funded ratio as of 31 December 2020, was 104.3 percent).

The 31 December 2019 study of proposed plan changes, which measured the District's ability to fund both current and future benefits, demonstrated that the plan is a sound funding arrangement and that the contribution requirements are stable as a percentage of fire fighters' payroll. The Board of Trustees works to protect and to balance the interests of current as well as future taxpayers and fund members.

**Request for Information**

This financial report is designed to provide a general overview of the finances of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the plan administrator, 15304 Pheasant Lane, Lakeway, TX 78734.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

STATEMENT OF FIDUCIARY NET POSITION

31 DECEMBER 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Investments at fair value:		
Short-term investment funds	\$310,074	\$652,891
U.S. Treasury bonds	287,516	268,618
Corporate bonds	7,049,028	5,753,551
Mutual funds	17,530,921	13,085,136
Real estate investment trust	199,288	0
Common stocks	<u>9,965,462</u>	<u>8,153,504</u>
	35,342,289	27,913,700
Interest and dividends receivable	76,481	64,221
Retirement contributions receivable	<u>115,568</u>	<u>108,131</u>
	<u>35,534,338</u>	<u>28,086,052</u>
LIABILITIES	<u>0</u>	<u>0</u>
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$35,534,338</u></u>	<u><u>\$28,086,052</u></u>

The accompanying notes are an integral part of this financial statement presentation.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED 31 DECEMBER 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ADDITIONS TO FIDUCIARY NET POSITION		
Contributions:		
Employer retirement contributions	\$1,404,151	\$1,337,310
Participant contributions	<u>1,464,853</u>	<u>1,393,040</u>
	<u>2,869,004</u>	<u>2,730,350</u>
Net investment income:		
Net appreciation/(depreciation) in the fair value of investments (including realized gains of \$90,061 in 2020 and \$406,473 in 2019)	3,884,114	3,913,912
Interest and dividends	847,820	788,116
Other	893	6,202
Investment expenses	<u>(125,699)</u>	<u>(110,054)</u>
	<u>4,607,128</u>	<u>4,598,176</u>
	<u>7,476,132</u>	<u>7,328,526</u>
DEDUCTIONS FROM FIDUCIARY NET POSITION		
Contributions refunded to terminating participants	0	89,480
General and administrative expenses	<u>27,846</u>	<u>47,153</u>
	<u>27,846</u>	<u>136,633</u>
NET INCREASE IN FIDUCIARY NET POSITION	7,448,286	7,191,893
BEGINNING FIDUCIARY NET POSITION	<u>28,086,052</u>	<u>20,894,159</u>
ENDING FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$35,534,338</u></u>	<u><u>\$28,086,052</u></u>

The accompanying notes are an integral part of this financial statement presentation.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION**

The Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) and associated Trust were established on 1 March 2008 under the authority of the Texas Local Fire Fighter's Retirement Act (the Act). The Fund is a single-employer defined benefit pension plan and is included in the financial statements of the Travis County Emergency Services District No. 6 (the District) as a pension fund.

The Board of Trustees is the administrator of the Fund. The Board is made up of three members elected from and by fund members, two representatives of the District, and two citizen members.

Amendments to benefit provisions and contribution obligations of the Fund are made only with the authority of the Board in accordance with the Act. Although the District has not expressed any intent to terminate the Fund, it may do so at any time, in accordance with provisions of the Act. Upon termination of the Fund, the assets of the Fund would be distributed as soon as practicable after the end of the Fund year.

The Fund provides retirement, disability and survivor benefits to firefighters employed by the District and their beneficiaries. Full retirement benefits vest after 20 years of credited service. A member who has been credited with 20 years of credited service is eligible to receive a normal retirement benefit upon the later of (1) the member's termination of service or (2) the attainment of age 53. Partial retirement benefits vest after 10 years of credited service. A member who has been credited with at least 10 years of credited service is eligible to receive a partial retirement benefit upon the later of (1) the date upon which the member would have been credited with 20 years of credited service if the member had remained in continuous employment with the District or (2) the attainment of age 53. The monthly benefit at retirement is payable as a life annuity. A member is eligible to receive benefits under the Fund's DROP provision after completing both 18 years of service and attaining age 51. The election to participate in the DROP may be made at the time the member elects to retire.

As of the actuarial valuation date of 31 December 2019, the monthly benefit is equal to 3.4% of the highest average monthly pay multiplied by years of credited service up to 20 years, plus 2.2% of the highest average monthly pay, multiplied by years of credit service in excess of 20 years.

An employee is eligible to participate in the Fund if the employee is younger than 36 years old on the first day of employment with the District. An employee is eligible to participate in the Fund if the individual is older than 36 years old on the first day of employment if (1) the individual first became a fire fighter at an age younger than 36, (2) the Board approves the membership, and (3) the employee affirmatively elects to be a member and passes the physical examination.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION**

The types of employees covered, as well as plan membership as of the 31 December were:

	<u>2020</u>	<u>2019</u>
Retirees and beneficiaries currently receiving benefits	0	0
Terminated employees entitled to but not yet receiving benefits	0	0
Active members	<u>92</u>	<u>94</u>
Total	<u>92</u>	<u>94</u>

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The Fund's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Contributions are recognized as revenues in the period in which the related employees' payroll is earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**METHOD USED TO VALUE INVESTMENTS**

The Fund is invested in fixed income securities, equity securities, corporate bonds and short-term investment funds. These investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized in the period earned. Investment purchases, sales, and gains and losses are recognized on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains and losses are calculated independent of the net change in fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

**CONTRIBUTIONS RECEIVABLE**

The final biweekly payroll contributions of employees for the year ended 31 December 2020 and 2019, and the District's related contributions were not deposited in the Fund by year end and are shown as contributions receivable in both years.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the net position restricted for pension benefits during the reporting period. Actual results could differ from those estimates.

**FUND EXPENSES**

All Fund administrative costs are the responsibility of the Fund and are financed through investment earnings.

**BUDGET**

The Fund is not legally required to adopt a budget.

**NOTE 3: FEDERAL TAX STATUS**

The Fund is a Public Employee Retirement System and is exempt from Federal income taxes. The Internal Revenue Service has determined and informed the Fund by a letter dated 19 October 2010, that the Fund is designed in accordance with applicable sections of the Internal Revenue Code (IRC).

The Internal Revenue Service has determined and informed the Fund by a letter dated 6 June 2011, that participating employees of the Fund are exempted from employment taxes for FICA purposes under section 3121(b)(7)(f) of the Internal Revenue Code. The exemption was retroactive to Fund inception. Refunds of FICA taxes withheld were requested from the IRS and were received in 2012.

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

The Board has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the Fund and the IPS is included with the Investment Custodian and Manager's agreement. The fair values of the Fund's investments at 31 December 2020 and 2019 are presented, by type, as follows:

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
Short-term investment funds	\$310,074	\$652,891
U.S. Treasury bonds	287,516	268,618
Corporate bonds	7,049,028	5,753,551
Mutual funds	17,530,921	13,085,136
Real estate investment trust	199,288	0
Common stocks	<u>9,965,462</u>	<u>8,153,504</u>
	<u>\$35,342,289</u>	<u>\$27,913,700</u>

**CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and unsecured. The Fund did not have exposure to custodial credit risk for deposits as of 31 December 2020 and 2019.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. As of 31 December 2020 and 2019, the Fund's investment securities are not exposed to custodial credit risk because all securities are held by the Fund's custodial bank in the Fund's name.

**CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from disclosure of credit quality ratings.

The IPS sets out guidelines for following allowable ranges of target asset allocations for the Fund's investments and includes ranges for cash, equities (including corporate stocks and mutual funds), fixed income securities (including bond funds), real estate investment trusts, natural resources, commodities, metals and other investments.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

The Board will retain discretion with respect to the asset allocation decision based upon current and anticipated market conditions, the independent actions of the Board, and liquidity requirements. Along with diversification, the Board and IPS set investment goals and guidelines.

**INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The IPS guidelines permit investments in individual fixed income assets limited to less than 15 years in maturity and with a weighted-average duration of the fixed income portfolio limited to a maximum duration of 10 years.

As of 31 December 2020, the Fund had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 6 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Corporate Bonds	<u>\$7,049,028</u>	<u>\$406,088</u>	<u>\$6,032,207</u>	<u>\$610,733</u>	<u>\$0</u>
U.S. Treasury Bonds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$287,516</u>

As of 31 December 2019, the Fund had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 6 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Corporate Bonds	<u>\$5,753,551</u>	<u>\$708,059</u>	<u>\$4,153,539</u>	<u>\$891,953</u>	<u>\$0</u>
U.S. Treasury Bonds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$268,618</u>

**CREDIT RISK**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations to the Fund. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (S&P and Moody's) at 31 December 2020, are summarized in the following table.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

<u>Quality Rating S&amp;P / Moody's</u>	<u>Corporate Bonds</u>
A/A1	\$329,223
A/A2	1,341,623
A/A3	479,143
A/Aa3	104,843
A+/A1	853,816
A+/A2	420,104
A+/A3	103,885
A+/Aa2	53,968
A-/A2	328,163
A-/A3	217,552
AA/Aa2	214,486
AA+/Aa1	219,271
AA+/Aa2	101,295
AA-/A1	210,739
AA-/A2	103,851
AA-/Aa1	107,967
AA-/Aa2	340,631
AA-/Aa3	101,276
AAA/Aaa	228,211
BBB/Baa1	102,333
BBB/Baa2	116,420
BBB+/A1	213,915
BBB+/A2	645,698
BBB+/A3	<u>110,615</u>
	<u><u>\$7,049,028</u></u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at 31 December 2019, are summarized in the following table.

Quality Rating <u>S&amp;P / Moody's</u>	Corporate <u>Bonds</u>
A/A1	\$208,302
A/A2	1,064,186
A/A3	313,475
A-/A2	317,566
A-/A3	313,812
A-/Baa1	99,991
A+/A1	580,436
A+/A2	205,064
A+/A3	102,793
A+/Aa3	230,190
AA/A1	103,038
AA/Aa1	52,436
AA/Aa2	205,156
AA-/A1	201,350
AA-/A3	101,990
AA-/Aa1	102,189
AA-/Aa3	201,516
AA+/Aa1	101,428
AA+/Aa2	102,630
AA+/Aaa	103,389
AAA/Aaa	314,740
BBB/Baa1	104,145
BBB/Baa2	210,900
BBB/Baa3	100,756
BBB+/A3	104,981
BBB+/Baa1	<u>207,092</u>
	<u><u>\$5,753,551</u></u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4: DEPOSIT AND INVESTMENT RISK**

As of 31 December 2020, the Fund had the following bond mutual funds subject to interest rate risk and credit risk:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Weighted Average Credit Rating</u>
Artisan High Income Institutional	Not Available	B
Baird Aggregate Bond Inst	7.94 years	A
Hartford Floating Rate I	3.34 years	B
Invesco Core Bond R6	7.43 years	A
PIMCO International Bond (Unhedged) Instl	9.96 years	Not Available
Templeton Global Bond Adv	2.72 years	BBB
Vanguard Short-Term Investment Grade I	2.90 years	BBB

As of 31 December 2019, the Fund had the following bond mutual funds subject to interest rate risk and credit risk:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Weighted Average Credit Rating</u>
Frost Total Return Bond Fund Institutional Class	4.83 years	AA
Invesco Oppenheimer Total Return Bond Fund Class R6	7.04 years	A

**NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument. Municipal and corporate bonds are based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings. Common stocks and real estate investment trusts are securities traded on national exchanges and are valued at the last reported sales price.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS**

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>2020</u>			
U.S. Treasury bonds	\$287,516	\$0	\$287,516	\$0
Corporate bonds	7,049,028	0	7,049,028	0
Mutual funds	17,530,921	17,530,921	0	0
Real estate investment trust	199,288	199,288	0	0
Common stocks	<u>9,965,462</u>	<u>9,965,462</u>	<u>0</u>	<u>0</u>
	<u>\$35,032,215</u>	<u>\$27,695,671</u>	<u>\$7,336,544</u>	<u>\$0</u>

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>2019</u>			
U.S. Treasury bonds	\$268,618	\$0	\$268,618	\$0
Corporate bonds	6,022,169	0	6,022,169	0
Mutual funds	13,085,136	13,085,136	0	0
Common stocks	<u>8,153,504</u>	<u>8,153,504</u>	<u>0</u>	<u>0</u>
	<u>\$27,529,427</u>	<u>\$21,238,640</u>	<u>\$6,290,787</u>	<u>\$0</u>

**NOTE 6: CONTRIBUTIONS**

Effective October 2016, the required participant contribution rate was 20.0% of base pay, and the District matched participant contributions at a rate of 19.2%.

While contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the participants and the District provides an adequate financing arrangement at the time any change is made.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7: SCHEDULE OF INVESTMENT RETURNS**

For the year-ended 31 December 2020 and 2019, the annual money-weighted rate of return on Fund investments, net of investment expenses, was 15.61% and 20.72% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NOTE 8: NET PENSION PLAN LIABILITY**

The net pension liability was measured as of 31 December 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 31 December 2019 and rolled forward to 31 December 2020.

Total pension liability	\$34,083,357
Fund fiduciary net position	<u>(35,534,338)</u>
Net pension liability	<u>(\$1,450,981)</u>
Fund fiduciary net position as a percentage of the total pension liability	<u>104.3%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of 31 December 2019. The individual entry age normal actuarial cost method was used for the 31 December 2019 valuation. Experience studies were made of the Fund's experience with respect to rate of return as part of the 31 December 2019 valuation.

The following actuarial assumptions were applied to all periods included in the measurement:

Investment rate of return, with plan expenses recognized in the normal cost	7.0%
Annual increase in payroll	3.0%
Inflation rate per year	2.75%

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2019, with separate rates for males and females.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. GASB Statement No. 67 also calls for a 99-year projection of the plan's Fiduciary Net Position.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 8: NET PENSION PLAN LIABILITY**

However, alternative methods to determine that the plan will have sufficient assets to benefits over the 99 year period are allowed for. The Fund's amortization period as of 31 December 2019 valuation was 4.6 years. Therefore, it can be reliably stated that the plan's Fiduciary Net Position will be sufficient over the 99-year period to pay all plan benefits. For this reason, cash flow projection is not required in determining the discount rate. The long-term expected rate of return on pension plan investments was applied to all periods of projected pension benefits to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Adjusted to Actual Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Domestic large cap	36%	5.75%
Domestic small/mid cap	13	6.25
International developed	8	6.25
Emerging markets	5	7.75
Cash and cash equivalents	2	0.00
Fixed income	32	1.45
Real estate	<u>4</u>	3.75
Total	100%	
Weighted Average		4.38%

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6  
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8: NET PENSION PLAN LIABILITY**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.00%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	<u>\$3,991,768</u>	<u>(\$1,450,981)</u>	<u>(\$5,900,237)</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'**  
**RELIEF AND RETIREMENT FUND**  
GASB Statement No. 67 Required Supplementary Information  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Ten Fiscal Years (1)**

	Fiscal year ending <u>12/31/14</u>	Fiscal year ending <u>12/31/15(A)</u>	Fiscal year ending <u>12/31/16</u>	Fiscal year ending <u>12/31/17(B)</u>	Fiscal year ending <u>12/31/18</u>	Fiscal year ending <u>12/31/19(C)</u>	Fiscal year ending <u>12/31/2020</u>
<b>Total Pension Liability:</b>							
1. Service cost	\$980,014	\$1,059,984	\$1,102,383	\$1,146,478	\$1,613,655	\$1,666,099	\$1,837,663
2. Interest	904,104	1,038,806	1,308,078	1,469,413	1,885,108	2,127,432	2,229,752
3. Changes in benefit terms	0	0	0	0	3,559,759	0	0
4. Difference between expected and actual experience	0	1,543,569	0	(1,001,329)	0	(748,491)	0
5. Changes in assumptions	0	194,031	0	471,987	0	(1,710,142)	0
6. Benefit payments and refunds of contributions	<u>(87,471)</u>	<u>(25,156)</u>	<u>(38,945)</u>	<u>(260,580)</u>	<u>(89,393)</u>	<u>(89,480)</u>	<u>0</u>
7. Net Change in Total Pension Liability	1,796,647	3,811,234	2,371,516	1,825,969	6,969,129	1,245,418	4,067,415
8. Total Pension Liability - Beginning of year (2)	<u>11,996,029</u>	<u>13,792,676</u>	<u>17,603,910</u>	<u>19,975,426</u>	<u>21,801,395</u>	<u>28,770,524</u>	<u>30,015,942</u>
9. Total Pension Liability - End of year (a)	<u>\$13,792,676</u>	<u>\$17,603,910</u>	<u>\$19,975,426</u>	<u>\$21,801,395</u>	<u>\$28,770,524</u>	<u>\$30,015,942</u>	<u>\$34,083,357</u>
	<u>6</u>	<u>0</u>	<u>6</u>	<u>5</u>	<u>4</u>		

**A.** Actuarial valuation revalued at 12/31/2015; original valuation date 12/31/2014

**B.** Actuarial valuation revalued at 12/31/2017; original valuation date 12/31/2015

**C.** Actuarial valuation revalued at 12/31/2019; original valuation date 12/31/2017

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'**

**RELIEF AND RETIREMENT FUND**

GASB Statement No. 67 Required Supplementary Information

**Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Fiscal Years (1)**

<b>Plan Fiduciary Net Position:</b>	Fiscal year ending <u>12/31/14</u>	Fiscal year ending <u>12/31/15(A)</u>	Fiscal year ending <u>12/31/16</u>	Fiscal year ending <u>12/31/17(B)</u>	Fiscal year ending <u>12/31/18</u>	Fiscal year ending <u>12/31/19(C)</u>	Fiscal year ending <u>12/31/20</u>
10. Contributions - employer	\$899,146	\$943,417	\$1,077,176	\$1,121,761	\$1,166,370	\$1,337,310	\$1,404,151
11. Contributions - member	903,757	968,074	1,122,061	1,168,507	1,214,970	1,393,040	1,464,853
12. Net investment income	608,392	176,096	649,191	2,650,333	(1,046,878)	4,598,176	4,607,128
13. Benefit payments and refunds of contributions	(87,471)	(25,156)	(38,945)	(260,580)	(89,393)	(89,480)	0
14. Administrative expenses	(33,068)	(100,925)	(26,134)	(35,457)	(38,974)	(47,153)	(27,846)
15. Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16. Net Change in Plan Fiduciary Net Position	2,290,756	1,961,506	2,783,349	4,644,564	1,206,095	7,191,893	7,448,286
17. Plan Fiduciary Net Position - Beginning of Year	<u>8,007,889</u>	<u>10,298,645</u>	<u>12,260,151</u>	<u>15,043,500</u>	<u>19,688,064</u>	<u>20,894,158</u>	<u>28,086,052</u>
18. Plan Fiduciary Net Position - End of Year (b)	<u>10,298,645</u>	<u>12,260,151</u>	<u>15,043,500</u>	<u>19,688,064</u>	<u>20,894,159</u>	<u>28,086,051</u>	<u>35,534,338</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u><u>\$3,494,031</u></u>	<u><u>\$5,343,759</u></u>	<u><u>\$4,931,926</u></u>	<u><u>\$2,113,331</u></u>	<u><u>\$7,876,365</u></u>	<u><u>\$1,929,891</u></u>	<u><u>(\$1,450,981)</u></u>
Plan fiduciary net position as a % of the total pension liability	74.67%	69.64%	75.31%	90.31%	72.62%	93.57%	104.26%
Covered employee payroll	\$4,683,052	\$4,913,630	\$5,610,292	\$5,842,505	\$6,074,844	\$6,965,200	\$7,324,265
Net pension liability (asset) as a % of covered employee payroll	74.61%	108.75%	87.91%	36.17%	129.66%	27.71%	-19.81%

See Independent Auditor's Report

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'  
RELIEF AND RETIREMENT FUND**

GASB Statement No. 67 Required Supplementary Information

**Schedule of Investment Returns Last Ten Fiscal Years (1)**

<u>Fiscal year ending</u>	<u>Annual Money-Weighted Net Real Rate of Return(3)</u>
31 December 2014	6.80%
31 December 2015	1.02%
31 December 2016	4.89%
31 December 2017	17.21%
31 December 2018	(4.86%)
31 December 2019	20.72%
31 December 2020	15.61%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, only available information is shown.
2. Determined from the end of year total pension liability using the roll forward procedure allowed for the initial year of implementation for GASB 67.
3. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'  
RELIEF AND RETIREMENT FUND**

Required Supplementary Information

**Schedule of Investment Expenses**

Fiscal year ending 31 December 2020

<u>Asset Class</u>	<u>Management Fees Paid From Trust</u>	<u>Management Fees Netted From Returns</u>	<u>Total Investment Management Fees</u>	<u>Brokerage Fees/ Commissions</u>	<u>Total Direct and Indirect Fees and Commissions</u>
Cash	\$1,949	\$841	\$2,790	\$0	\$2,790
Public Equity	82,485	72,542	155,027	1,047	156,074
Fixed Income	39,367	25,537	64,904	0	64,904
Real Assets	<u>811</u>	<u>0</u>	<u>811</u>	<u>40</u>	<u>851</u>
	<u>\$124,612</u>	<u>\$98,920</u>	<u>\$223,532</u>	<u>\$1,087</u>	<u>\$224,619</u>

See Independent Auditor's Report